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# REGIONAL GRAIN COOPERATIVES

## 1959-60

### *22nd Annual Report*

By

Daniel H. McVey

*Distribution of this report is limited to managers and directors of regional grain cooperatives, banks for cooperatives, extension marketing specialists and agricultural economics personnel in State colleges interested in grain marketing.*

Service Report 57

June 1961

FARMER COOPERATIVE SERVICE  
U. S. DEPARTMENT OF AGRICULTURE  
WASHINGTON, D. C.

Joseph G. Knapp, Administrator

The Farmer Cooperative Service conducts research studies and service activities of assistance to farmers in connection with cooperatives engaged in marketing farm products, purchasing farm supplies, and supplying business services. The work of the Service relates to problems of management, organization, policies, financing, merchandising, quality, costs, efficiency, and membership.

The Service publishes the results of such studies; confers and advises with officials of farmers' cooperatives; and works with educational agencies, cooperatives, and others in the dissemination of information relating to cooperative principles and practices.

REGIONAL GRAIN COOPERATIVES  
1950-60

By

Daniel H. McVey  
Grain Branch  
Marketing Division

This report is a continuation of the annual series started in 1940 on the financial condition and operating results of a group of regional grain cooperatives and continued at their request.

This publication covers the 1959-60 season and shows some comparisons for the entire period 1938-39 through 1959-60.

Regional grain cooperatives continue to make every effort to meet the demands of their members by conducting up-to-date grain marketing services at subterminal and terminal markets (figure 1). They have rapidly expanded and modernized elevator facilities to handle and store current reserves and carry-over stocks and to merchandise member associations' grain. Much of the recent activity has been at strategic river or lake points to take advantage of cheaper water transportation.

With the increased production of livestock in Southern and Southeastern States, cooperatives are giving more attention to installing storage facilities in these areas to supply grain for feed and to furnish outlets for their own member production.

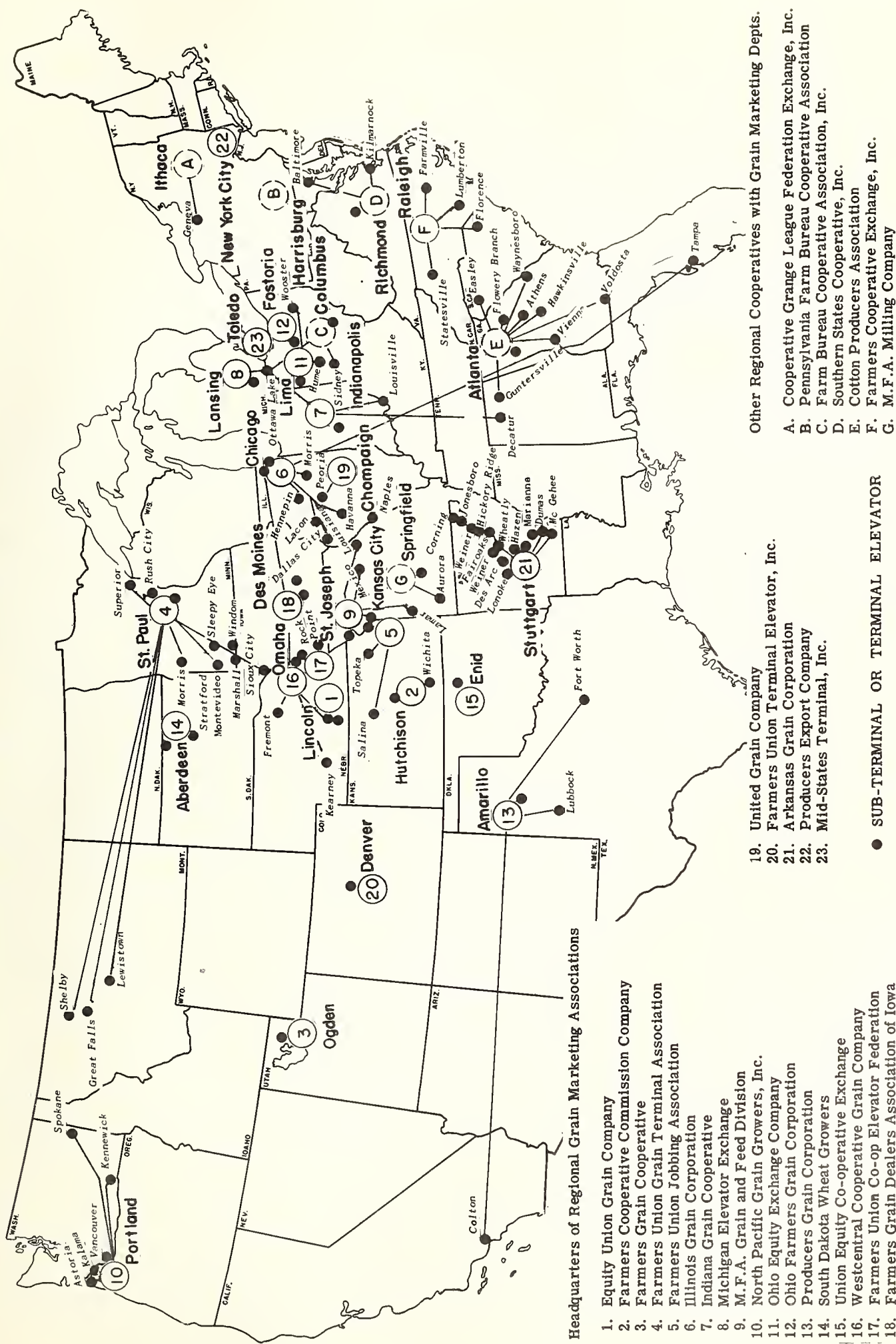
Regionals have helped members improve their facilities and conduct more efficient grain marketing operations at the local level. Through the National Federation of Grain Cooperatives, grain research programs, advisory committees, radio and television programs, and other media, managements of the regionals are helping all grain farmers.





Figure 1

# Location of Regional Grain Marketing Services and Their Sub-terminal and Terminal Elevators, 1961







For several years, some of the regionals have cosponsored accounting schools for local elevator bookkeepers where students receive valuable training. Several also have conducted management training conferences, directors' schools, and membership relations clinics.

Several regionals have installed milling and baking laboratories to learn more about the product they sell for their members, and thus encourage farmers to grow the kind of grain that will sell best. Many regionals are also working closely with grain improvement associations in developing new varieties so they can advise members on the best types of wheat and other grains to produce. By meeting exact milling specifications and feeding requirements, farmers can expect better returns and more use for their cash grain. Some regionals also pay premiums for approved varieties and protein content.

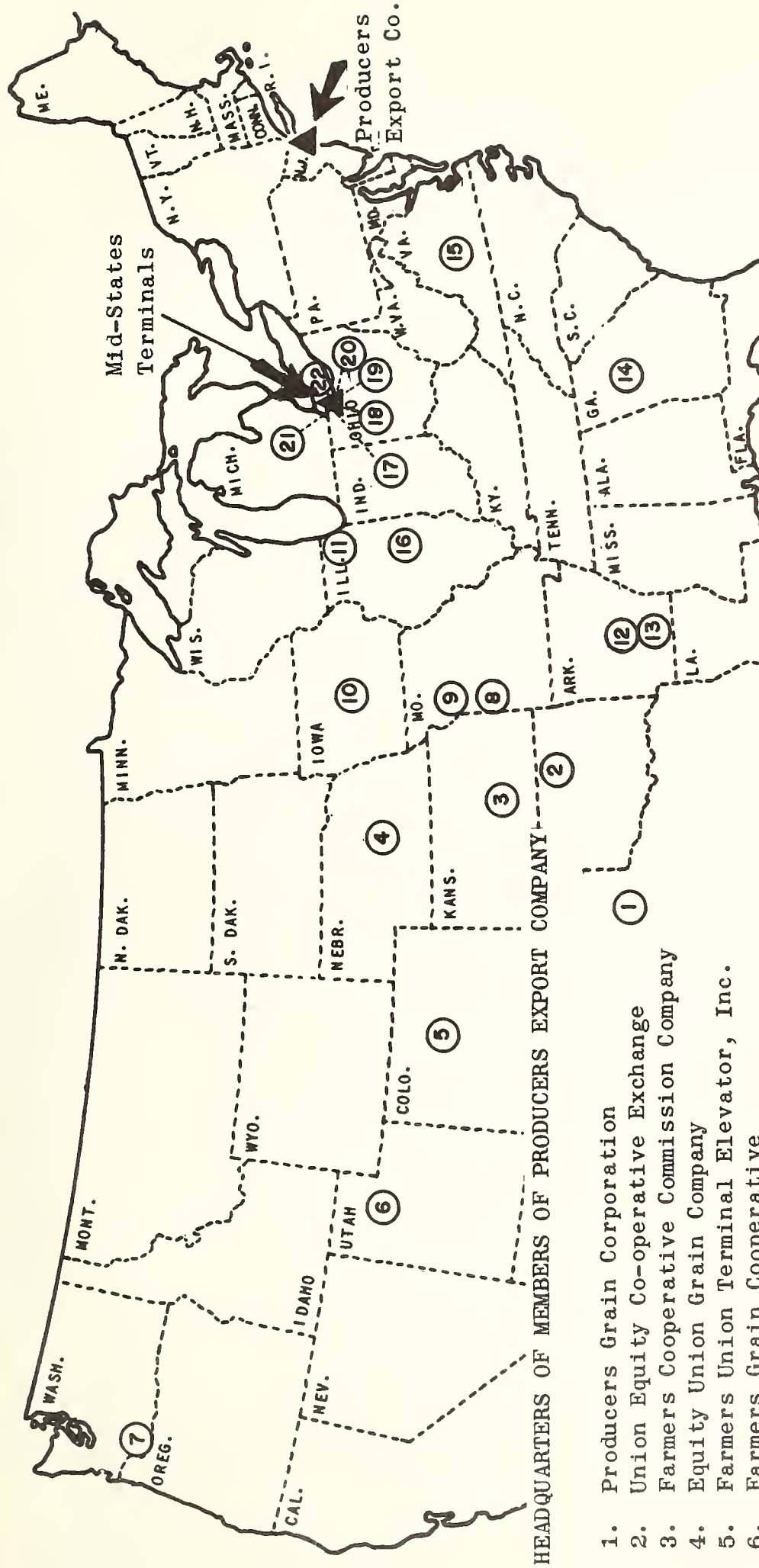
Some of them are moving into the feed, seed, and farm supply field and others are expanding their services along these lines. Some of the grain regionals have started soybean processing. For example, Farmers Union Grain Terminal Association, St. Paul, Minn., has acquired Honeymead Products, the largest single soybean extraction plant in the country. Arkansas Grain Corporation, Stuttgart, Ark., has its new 1,000 ton-a-day soybean mill in operation. Other regionals are considering entering this field.

In another effort to improve the bargaining position of cooperative growers in the market place, 19 regionals joined together in 1958 and organized the Producers Export Company with offices in New York City, and are now in the export business. Membership has grown to 22 regionals (figure 2). In their first 18 months they exported in excess of 50 million bushels of grain valued at over \$100 million to some 25 countries around the world.



Figure 2.

# HEADQUARTER LOCATIONS OF MEMBERS OF PRODUCERS EXPORT COMPANY AND MID-STATES TERMINALS



16. United Grain Company
17. Indiana Grain Cooperative\*
18. Ohio Equity Exchange Company\*
19. Farm Bureau Cooperative Association\*
20. Ohio Farmers Grain Corporation\*
21. Michigan Elevator Exchange\*
22. Mid-States Terminal, Inc.

\* Also members of Mid-States Terminals



Several members of Producers Export have terminal elevators located on water. North Pacific Grain Growers of Portland, Oreg., entered into a lease agreement with the Port Authority of Kalama, Wash., to construct a large, fast-handling port elevator that will soon be in operation. Farmers Union Jobbing Association, Kansas City, Mo., has completed construction of barge loading facilities on the Missouri River. West Central Grain Cooperative at Omaha, Nebr., and Equity Union Grain Cooperative, Lincoln, Nebr., are also operating through their new river houses. The Missouri Farmers Association, Columbia, Mo., is building a river terminal at Kansas City, and Illinois Grain Corporation has announced plans for one at St. Louis.

In addition, the five regional organizations in Ohio, Indiana, and Michigan have organized Mid-States Terminals, Inc., with headquarters at Toledo, Ohio, in order to take advantage of cheaper transportation rates afforded by the St. Lawrence Seaway. One of these members (all of them are also members of Producers Export) purchased a terminal elevator on the Seaway at Toledo. This facility is being expanded.

Through actions such as these, the bargaining strength of cooperative elevator patrons is increased.

Most of the data in this report concern the 16 regional grain cooperatives on which we have data beginning with their first year of operation in 1938-39. Fourteen other regionals, 7 farm supply organizations and 7 grain cooperatives, came into being after that date. A number of the regional farm supply cooperatives have set up grain marketing departments to perform the same functions and services as the grain regionals.





Figure 1 shows the location of the 23 regional grain cooperatives in operation in 1960, and their subterminal and terminal elevators, and the 7 other regional cooperatives with grain marketing departments. These regionals are operating elevators at 121 market locations. These do not include commission offices where there are no cooperative facilities. About 35 of these locations handle barge grain and by using water transportation are making significant savings for their members.

In prior annual reports, most of the data covered only those 16 associations on which we have records since 1938-39. This report contains data on additional associations.

Part I shows the data on the 16 organizations and preserves the annual series. Part II contains information on 27 associations for which data are available for 1958-59 and 1959-60. The 27 associations include the 16 discussed in Part I.

#### Part I - 16 Regional Grain Cooperatives

These 16 regional grain cooperatives have greatly expanded their storage capacity over the years, particularly since 1953, to meet the needs of members.

Figure 3 shows this expansion. By harvest time of 1961, the regionals will have 228.5 million bushels of storage compared with less than 20 million in the early years and 35.5 million bushels at the end of World War II. The greatest expansion occurred in 1954 -- 44 million bushels -- but the 28 million bushel expansion in 1958 also stands out. Capacity has more than doubled since 1953. Practically all the space in use is owned, although some Port Authority elevators are operated on a long-term lease basis.





Since 1944, the combined volume of grain marketed by the 16 regionals has seldom been below 300 million bushels, with peaks of more than 360 million bushels in 1949 and for each of the last 5 years (figure 3). In 1959-60, volume reached nearly 507 million bushels -- a new record and 8 percent greater than the year before. This is the first year volume ever reached a half billion bushels.

During the 22-year period beginning with 1938-39, these associations have handled more than 6.5 billion bushels of grain. In the last 3 years alone, volume amounted to nearly 1.8 billion bushels. This does not take into account large quantities of grain handled for the Commodity Credit Corporation.

Since the beginning of the regional grain cooperatives, total production of major grains has increased by about 35 percent. The proportion leaving the farm has gone up even faster -- in fact more than doubling in the same period. Even so, the regionals have more than kept the pace. In their first 3 years of operation, they accounted for about 6.5 percent of the grain leaving the farm. Currently they account for 12 to 15 percent. The proportion handled by cooperatives would be higher if C.C.C. volume were handled.

When taken as a group, these 16 cooperatives have shown a net margin for each of the 22 years. These margins, both in total and on a bushel basis, have reflected a general upward trend (figure 4). In the first few years, the combined annual margin was around \$1 million; for the past 5 years, in excess of \$14.5 million. The record margin reached \$19.5 million in 1958-59. It was down slightly in 1959-60 to \$19.2 million (table 1).

The net margin in 1959-60 was equal to a return of just under 22 percent on the book value of fixed assets and to 10 percent on all assets.



Figure 3  
COMBINED VOLUME AND STORAGE CAPACITY OF 16 REGIONAL GRAIN COOPERATIVES,  
1938-39 TO 1959-60

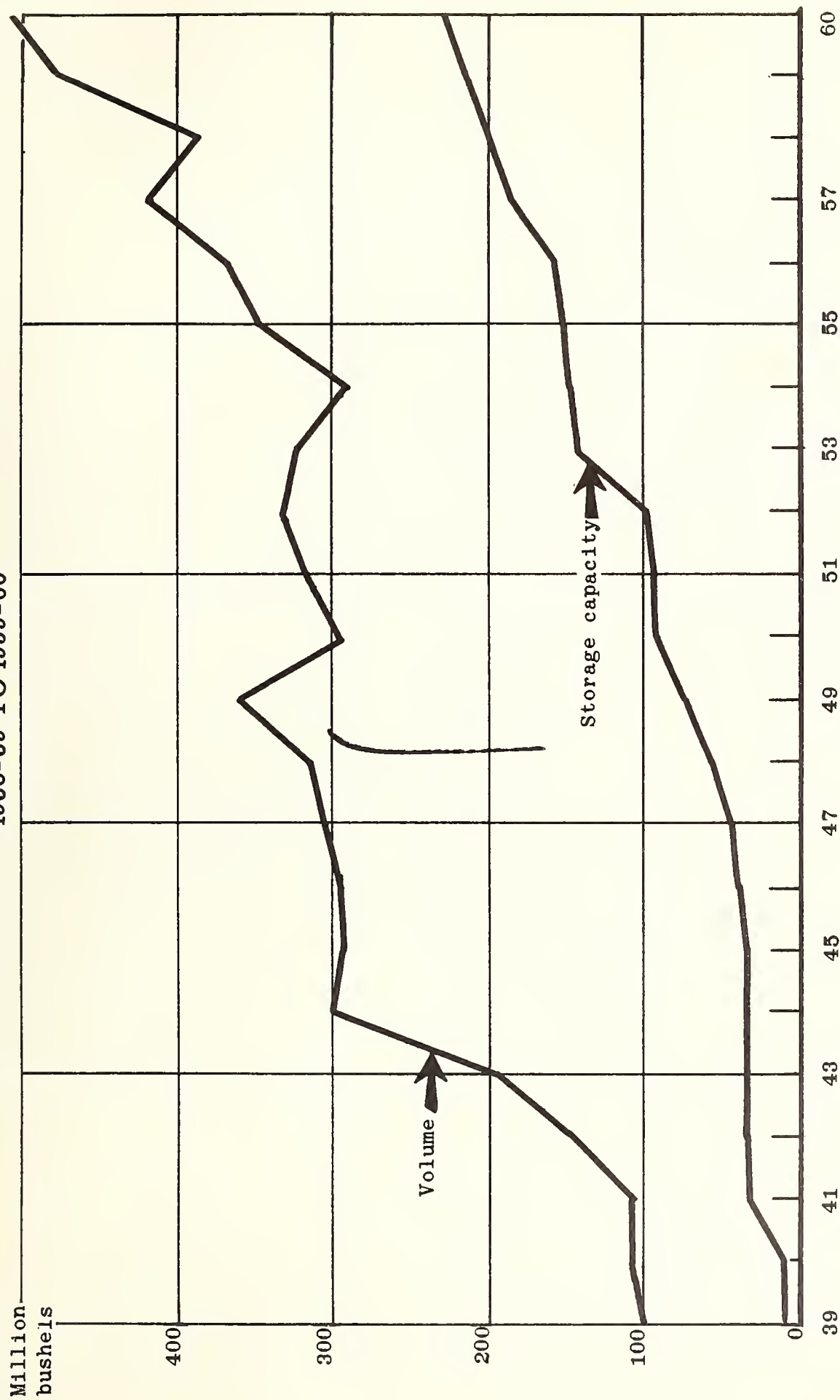




Figure 4

COMBINED NET MARGINS OF 16 REGIONAL GRAIN COOPERATIVES, 1938-39 TO 1959-60

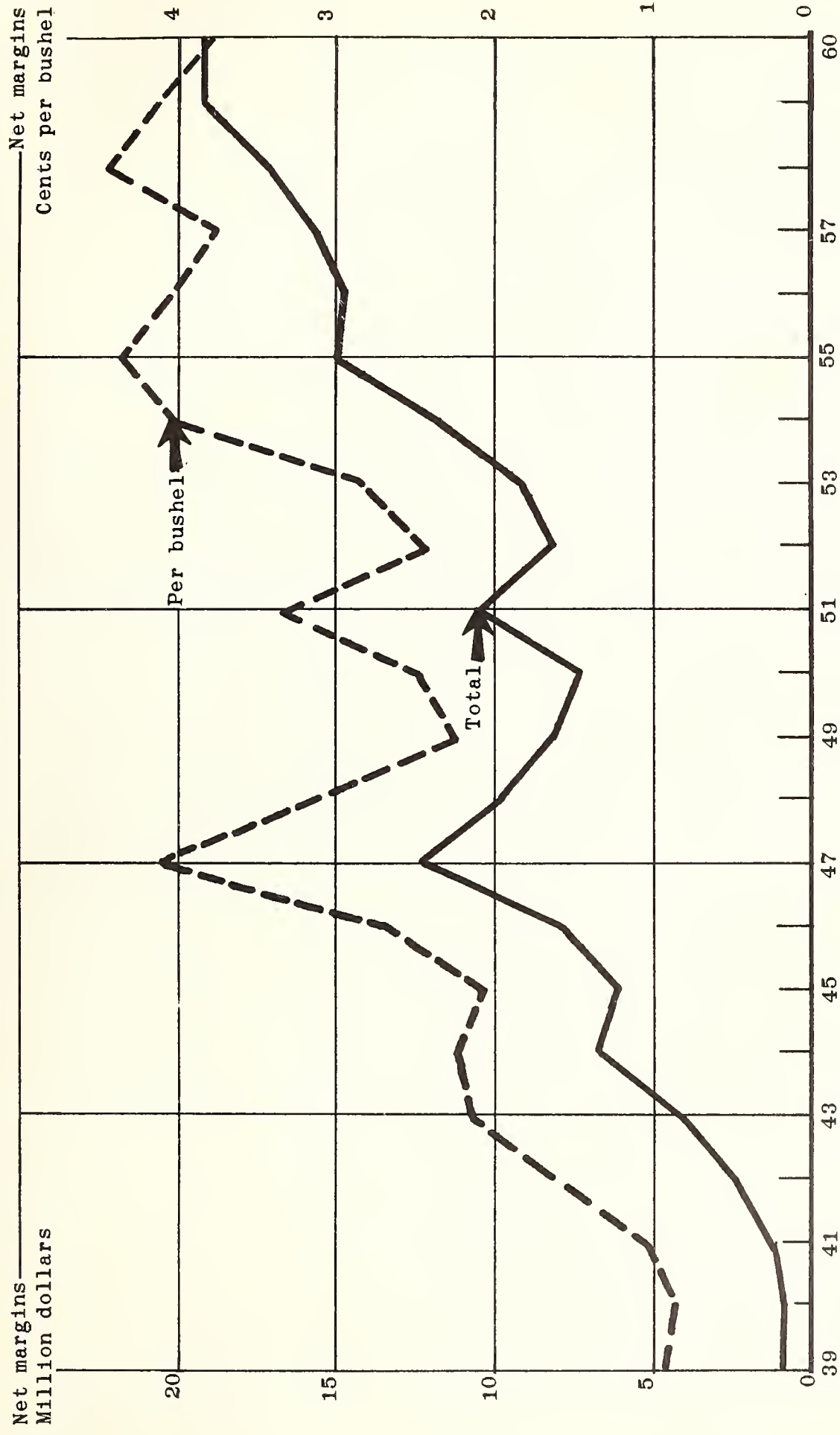






Table 1.--Total grain handled and combined net margins of 16 regional grain cooperatives, 1938-39, 1958-59, and 1959-60

Fiscal year	Volume of grain handled	Combined net margins	Net margins per bushel
	<u>1,000 bushels</u>	<u>1,000 dollars</u>	<u>Cents</u>
1938-39	100,123	\$ 886	0.89
1958-59	470,839	19,515	4.14
1959-60	506,694	19,207	3.79



After 1943-44, the net margin per bushel handled ranged from 2.1 cents in 1944-45 to 4.5 cents in 1957-58. For each of the last 7 years it was around 4 cents. The only other year in which as much as 4 cents a bushel was realized was in 1946-47. The average net margin of 4 cents a bushel in the last 7 years was about double the gross margin on grain commission sales at terminal markets and indicated a high degree of management efficiency.

It can reasonably be assumed that such margins would not have been realized if handling, merchandising, and storage facilities had not been available (figure 5). Total net margins for the 22 year period were nearly 208 million, with about half the amount realized in the last 6 years. The average margin per bushel for the 22 years was 3.17 cents.

As would be expected from the storage capacity and volume data, the combined balance sheet of these organizations has changed greatly over this 22-year period. Current assets in 1939 were \$5.2 million; they have shown almost continual annual growth, and reached a record \$103 million in 1959 (figure 6 and table 2). They declined by about \$8 million in 1960, primarily due to a drop in inventories.

The net value of fixed assets was less than \$1 million in 1939 and didn't reach \$10 million until 1947. There has been a rapid buildup since then, reaching a record \$88.9 million in 1960 -- an increase of more than \$7 million over the year before. The increase in the last 2 years has been more than \$22 million. Rapid amortization of a number of facilities has held this value down.

Total assets in 1939 were \$6.6 million. They have shown a steady growth, reaching more than \$192 million in 1960 -- a slight decline from 1959. Five associations had assets in excess of \$12 million each in 1960.



Figure 5

COMBINED STORAGE CAPACITY AND NET MARGINS OF 16 REGIONAL GRAIN COOPERATIVES,

1938-39 TO 1959-60

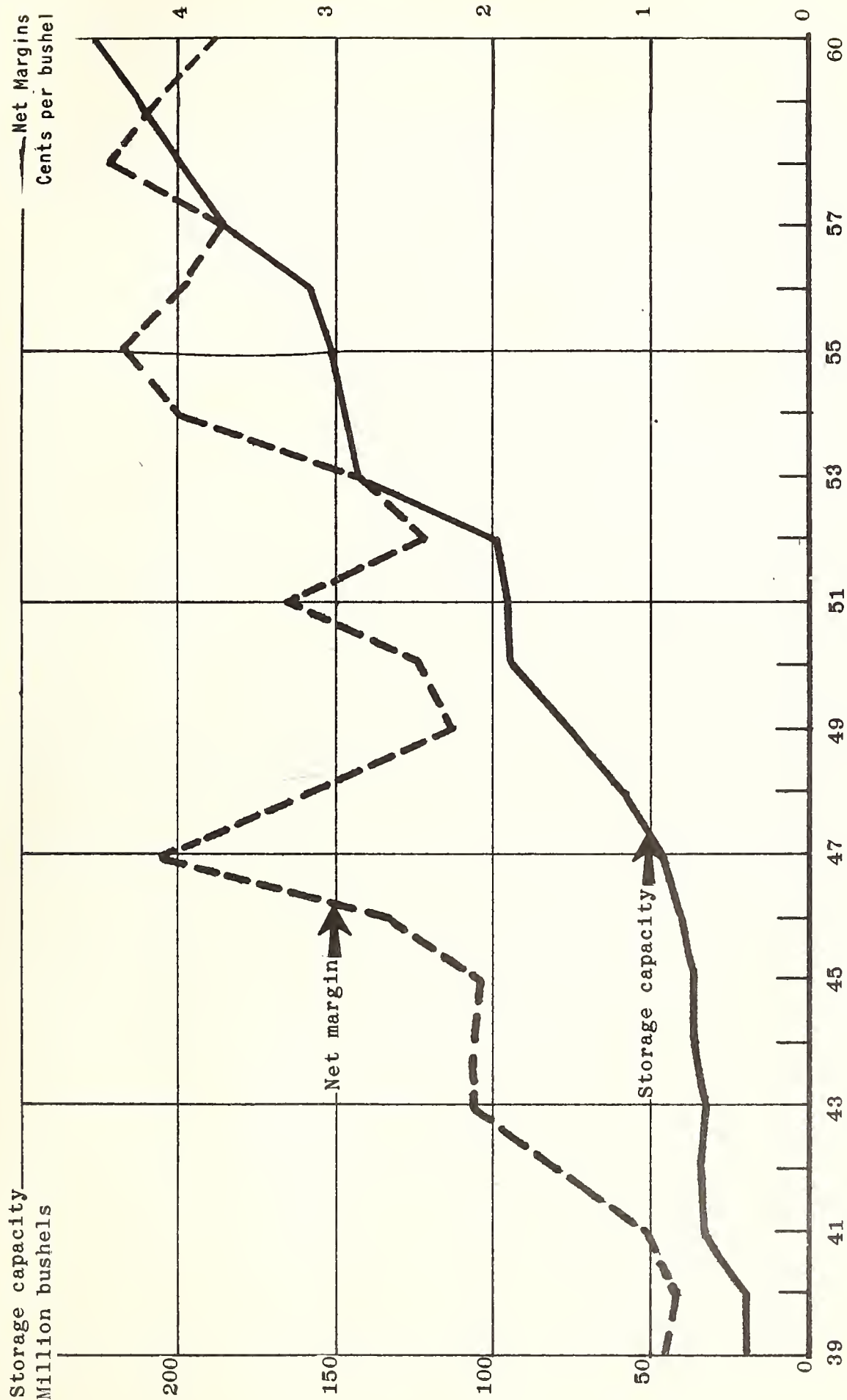






Figure 6  
COMBINED ASSETS OF 16 REGIONAL GRAIN COOPERATIVES, 1938-39 TO 1959-60

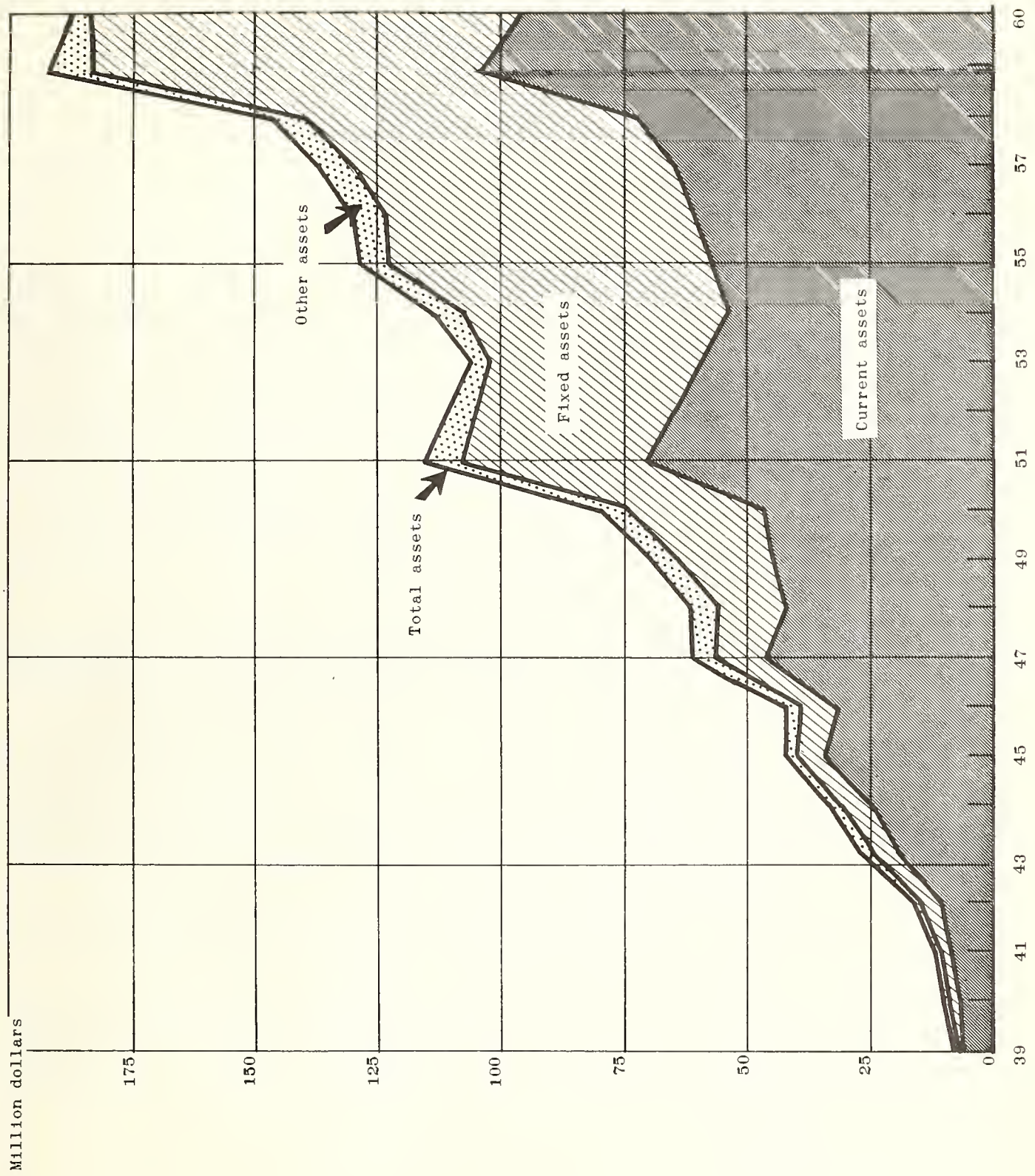






Table 2.--Consolidated balance sheet of 16 regional grain cooperatives at the close of marketing years 1938-39, 1958-59, and 1959-60 1/

Item	1938-39	1958-59	1959-60
	<u>1,000 dollars</u>		
<u>Assets</u>			
Current assets:			
Cash.....	\$ 1,160	\$ 12,616	\$ 17,964
Inventory.....	1,117	38,001	30,761
Other current assets.....	2,970	52,748	46,317
Total current assets.....	5,247	103,365	95,042
Fixed assets (less depreciation reserve).. Other assets.....	930 466	81,593 7,739	88,873 8,399
Total assets.....	6,643	192,697	192,314
<u>Liabilities and member equities</u>			
Liabilities:			
Current <u>2/</u> .....	2,443	57,023	39,079
Deferred.....	1,003	19,414	26,013
Total liabilities.....	3,446	76,437	65,092
Member equities:			
Certificated capital.....	1,555	74,741	80,795
Surplus and reserve.....	1,642	41,519	46,427
Total member equities.....	3,197	116,260	127,227
Total liabilities and member equities...	6,643	192,697	192,314

1/ Closing dates of fiscal years of individual associations vary within the crop year from December 31 to August 31.

2/ Includes some patronage refunds and stock dividends soon to be paid to members.



Although large amounts of capital have been used in the last 6 or 8 years for expanding facilities, member equities in these 16 regionals have continued to rise. In the 22 years, member equities have risen from \$3.2 million to \$127.2 million and have shown an increase every year (table 2 and figure 7). At the close of 1959-60, they were nearly \$11 million, or more than 9 percent greater than the year before. They have increased more than \$64 million in the last 7 years and currently are equal to 66 percent of the total asset value.

Nearly \$81 million of the equity is in the form of certificated capital and more than \$46 million is in surplus and reserves. This latter category has grown rapidly in the past 6 years and in some organizations is equal to the certificated capital.

Annual working capital has shown a steady increase from the beginning and amounted to \$56 million in 1960. This may be compared to the \$2.8 million in 1939.

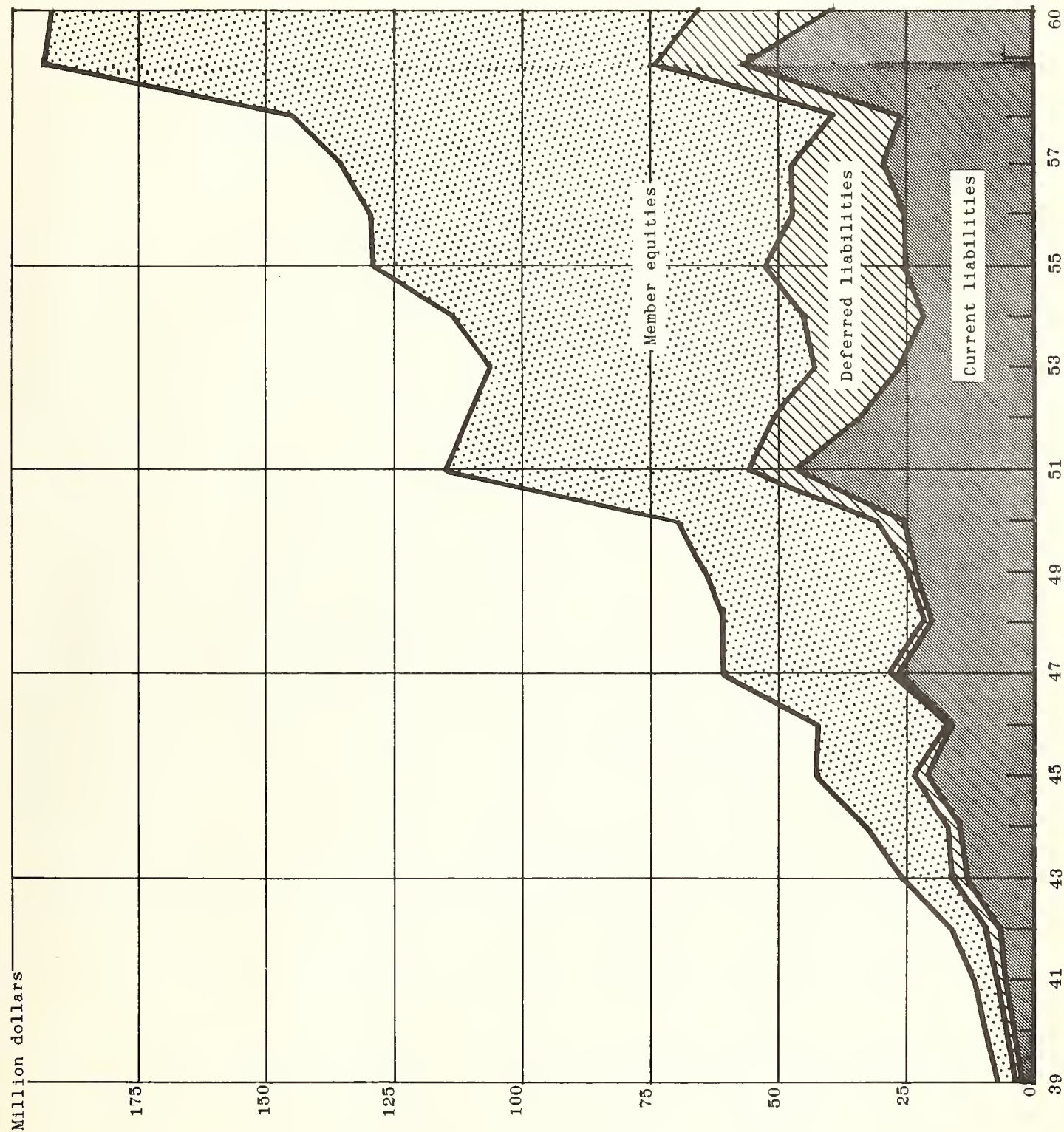
Liabilities declined considerably last year. At \$65.1 million, they were down more than \$11 million from the record in 1958-59. Long-term liabilities have fluctuated considerably over the years but have been higher in recent years due to the accelerated construction program. At the end of 1959-60, they amounted to \$26 million compared to \$1 million in 1938-39 (figure 7). At the end of 1959-60, deferred liabilities were about 29 percent of the book value of fixed assets.

Much of the recent increase in liabilities has been in the current category. They reached more than \$57 million in 1958-59, but declined to \$39 million in 1959-60. Currently they comprise 60 percent of the total liabilities. A portion of these current liabilities were patronage dividend payments and interest on stock which had been declared but not disbursed.





Figure 7  
 COMBINED LIABILITIES AND MEMBER EQUITIES OF 16 REGIONAL GRAIN COOPERATIVES,  
 1938-39 TO 1959-60







## Part II - 27 Regional Grain Cooperatives

As mentioned earlier, several regional grain cooperatives have been organized since 1938, and several regional farm supply cooperatives have added grain marketing departments. Data for 1958-59 and 1959-60 on 11 of these organizations have been combined with the data on the original 16 associations to give a more complete picture of regional grain marketing.

These 11 organizations have terminal or subterminal elevators at 62 locations with almost 58 million bushels of storage capacity.

This makes a total of 286.5 million bushels of storage capacity for the 27 organizations. It is readily apparent that the capacity per association and per elevator is much greater for the 16 associations than for the 11.

Total assets of the 27 associations in 1960 were about \$232 million, down slightly from the year before. All the decline was in current assets. Fixed assets increased from \$97 million to nearly \$107 million (table 3 and figure 8).

Current liabilities declined by more than \$20 million while long-term liabilities increased by about \$8 million. Member equities increased to \$146 million from \$137 million in 1959.

The 11 organizations merchandised 141 million bushels of grain in 1959-60 or 25 percent over the volume in 1958-59. Total volume for the 27 associations in 1959-60 was nearly 648 million bushels or 11 percent greater than 1958-59 (figure 9).

Net margins were \$908,000 for the 11 associations, making a total for the 27 of \$20.1 million or 3.1 cents a bushel in 1959-60.

As a group, the regional grain cooperatives have grown rapidly, are in sound financial condition, and operate efficiently. Through these organizations,



Figure 8

COMBINED ASSETS, LIABILITIES AND MEMBER EQUITIES OF 27 REGIONAL GRAIN COOPERATIVES, 1959-60

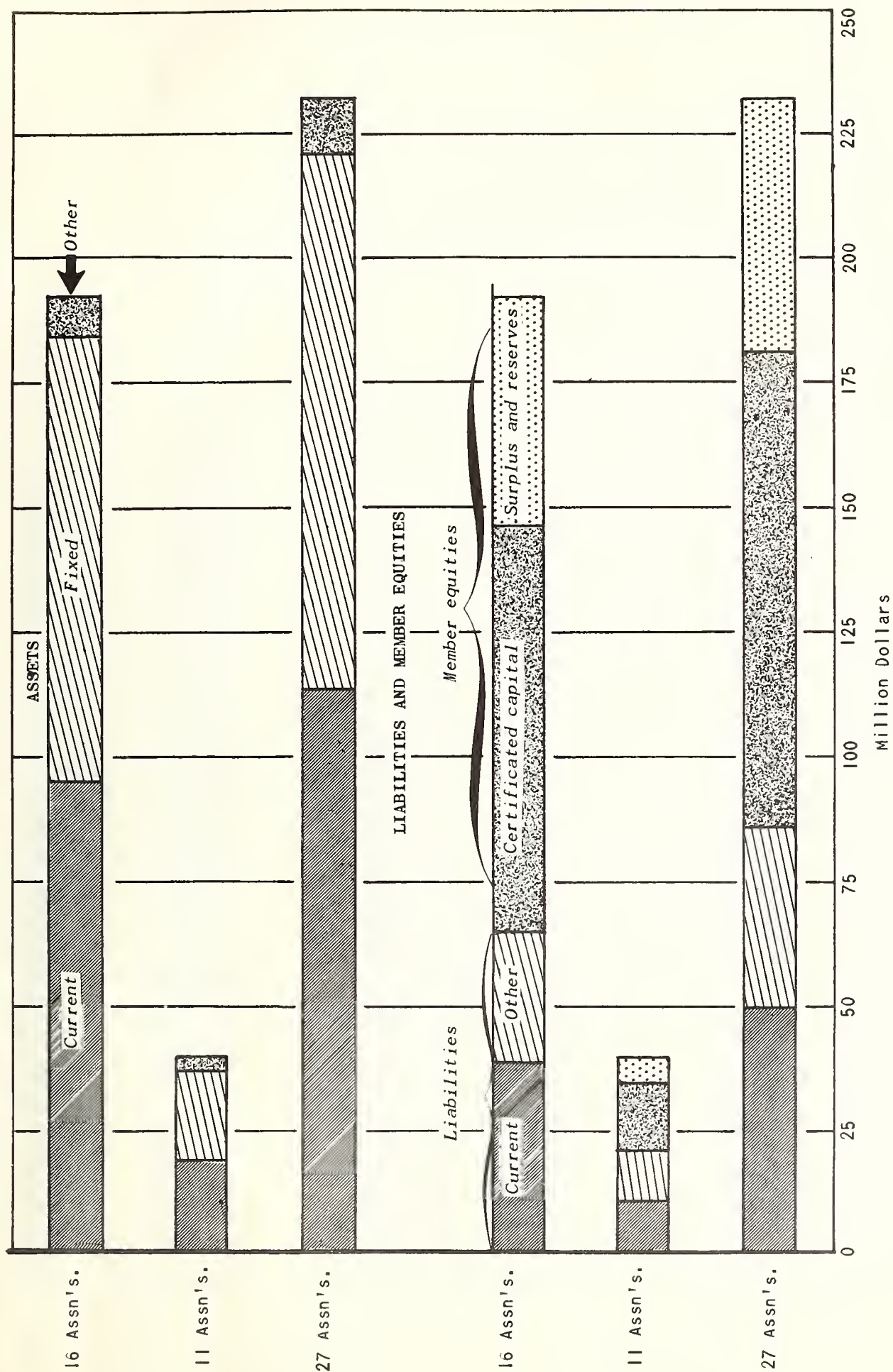
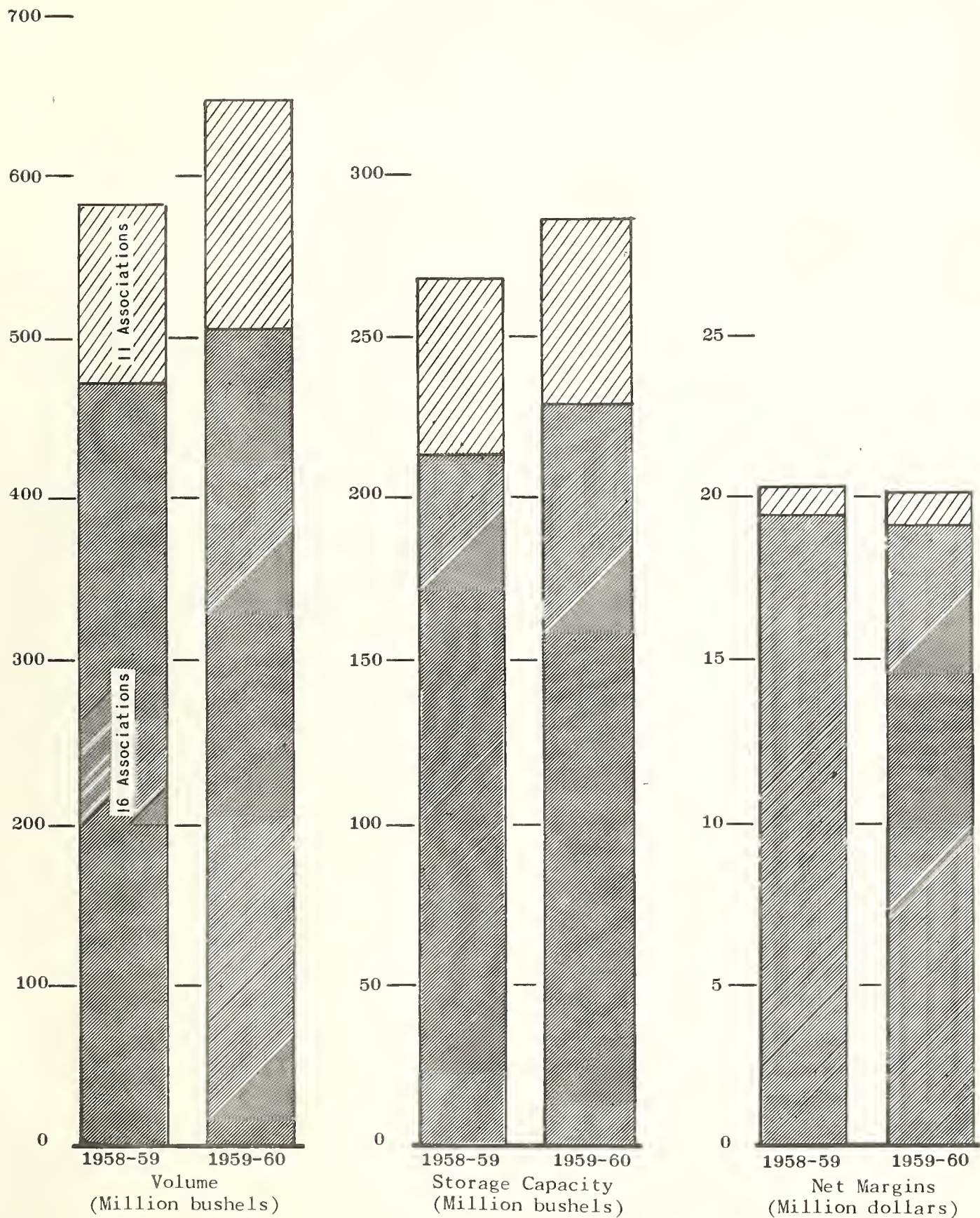






Figure 9  
COMBINED STORAGE CAPACITY, VOLUME AND NET MARGINS OF  
27 REGIONAL GRAIN COOPERATIVES,  
1958-59 AND 1959-60







farmers have increased their bargaining strength at the local, terminal and national levels. Quality has been emphasized by paying premiums for approved varieties and protein content. Marketing margins have been reduced through the competition furnished by these organizations.

Management of these associations still face many important problems. Day-to-day price changes and crop conditions affect operations. Transportation, including the changing rate structure, is vitally important. Government programs and policies and technological changes in farming itself change and affect volume and operations.

Many costs have been rising and do not decline in proportion to volume decreases. This increases unit operating costs. Quality maintenance or improvement is being stressed more and more. New or additional services must be performed to meet member requirements.

The managers and directors of these regionals have demonstrated their ability to deal with problems during the years. The experience gained should enable them to anticipate and meet future problems as they arise.





